

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With Independent Auditors' Reports Thereon)

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines Charter High School (“the Charter High School”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Charter High School for the twelve-month period ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Charter High School’s financial statements, which follow this section.

The City of Pembroke Pines Charter High School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved.

The Charter High School opened its doors in August of 2000 as the culminating component of one of the nation’s first K-12 city-run charter school systems. From its inception, the Charter High School established a strong educational mission embracing college preparation for students, and as such, became the first fully accredited Charter High School in the State of Florida (Southern Association of Colleges and Schools accreditation received in January, 2002).

In the 2009-2010 school year, the majority of the 1,700 student population resided in the surrounding community of Pembroke Pines and neighboring Miramar. The student population is diverse. The demographic breakdown is roughly 63.1% White, 23.8% African American, 0.1% Pacific Islander, 4.5% Asian, 3.7% Multi-racial, of which 46.23% are Hispanic, and 4.8%, American Native.

The City of Pembroke Pines adopted Thomas Jefferson's concept of an *Academic Village* and transformed what might have been an isolated high school campus into a cultural and intellectual hub incorporating partnerships with the Broward County Library System; Broward College, formerly Broward Community College; Florida International University; and the City of Pembroke Pines Parks and Recreation Department.

The City also owns and operates three Charter Elementary Schools, and two Charter Middle Schools which are sponsored by the School Board of Broward County. The City has also partnered with Florida State University (FSU) for an Elementary School which was established and built in 2003, and currently provides educational opportunities to 657 Elementary school students.

This is the first year that the Charter High School has reported its financial statements separately, thus comparative information from prior years is not available for the government-wide financial statements. Fund-based comparative information is being used in selected sections.

The government-wide format using the GASB Statement No. 34 financial reporting and the fund-based financial reporting are not viewed as being in conflict with each other; however, they are not comparable.

Financial Highlights

- The assets of the Charter High School exceeded its liabilities at the close of the most recent fiscal year by \$594,164 (*net assets*). Of this amount, \$238,656 (*unrestricted net assets*) may be used to meet ongoing obligations.
- As of the close of the current fiscal year, the Charter High School’s governmental fund reported a combined ending fund balance of \$545,916, an increase of \$186,628 as compared to last year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter High School's basic financial statements. The Charter High School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter High School's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on the Charter High School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter High School is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will eventually result in cash flows in future fiscal periods.

The Charter High School's *government-wide financial statements* distinguish the functions of the Charter High School as being principally supported by local revenues (FTE dollars through the Broward County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter High School has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter High School, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund used by the Charter High School is considered to be a governmental fund type.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Charter High School maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The Charter High School adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 13-15 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16-30 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the budgetary comparison schedule which can be found on pages 31-32 of this report, and the Management's Discussion and Analysis (MD&A) comprising pages 3-10.

Supplementary Auditors' Reports. This section includes the following:

- Report of Independent Certified Public Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.

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Government-wide financial analysis. Since this is the first year that the Charter High School is reporting separate financial statements, comparative government-wide information from prior years is not available. In future years, a comparative analysis of government-wide data will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter High School, total assets exceeded liabilities by \$594,164.

Investments in capital assets consisting of improvements other than buildings, and machinery and equipment, net of accumulated depreciation amounted to \$355,508, and represents 59.8% of total net assets. The Charter High School does not have any related debt outstanding that was used to acquire these assets. The Charter High School uses these capital assets to provide services, and consequently, they are not available for future spending.

The remaining balance of unrestricted net assets of \$238,656 or 40.2% may be used to meet the Charter High School's ongoing obligations.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities
	<u>2010</u>
Current assets	\$ 856,619
Capital assets, net of depreciation	<u>355,508</u>
Total assets	<u>1,212,127</u>
Current liabilities	310,703
Noncurrent liabilities	<u>307,260</u>
Total liabilities	<u>617,963</u>
Net assets:	
Invested in capital assets	355,508
Unrestricted	<u>238,656</u>
Total net assets	<u><u>\$ 594,164</u></u>

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities
	<u>2010</u>
Revenues:	
Program revenues:	
Charges for services	\$ 1,830,464
Operating grants and contributions	312,634
Capital grants	57,259
General revenues:	
FTE non-specific revenues	10,733,205
Unrestricted investment earnings	20,318
Rental income	1,385,613
Total revenues	14,339,493
Expenses:	
Instructional services	6,253,546
Instructional support services	715,823
School administration	1,167,139
Rent	3,033,681
Student transportation services	267,785
Operation and maintenance of school	2,509,001
Child care supervision	167,916
Total expenses	14,114,891
Change in net assets	224,602
Net assets, beginning	369,562
Net assets - ending	\$ 594,164

- **Governmental activities.** The Charter High School reported total net assets of \$594,164 at the end of the current fiscal year versus \$369,562 for fiscal year 2008-09. The total cost of all governmental activities this year was \$14,114,891.

Financial analysis of the Charter High School's fund. As noted earlier, the Charter High School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental fund. The focus of the Charter High School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter High School's financing requirements. In particular, an unreserved, undesignated fund balance may serve as a useful measure of the Charter High School's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Charter High School's governmental fund reported an ending fund balance of \$545,916, an increase of \$186,628 over last year. Of the total fund balance, \$410,744 (75.2%) has been designated for rent payments, and the remaining \$135,172 (24.8%) has been designated for capital replacements.

Key elements of these changes in fund balance are as follows:

The Charter High School's total revenues decreased by \$517,512 (-3.5%). This was a result of a decrease in local revenues of \$621,339 (-4.2%), and offset by an increase in Federal grants of \$103,827 (68.8%). The decrease in local revenues were due mainly to a decrease in revenues from the Broward County School Board of \$329,453 (-2.7%), and a decrease in other revenues of \$291,904 (-12.2%). This 12.2% decrease in other revenues was mainly attributable to a decrease of \$47,221 (-29.1%) related to contributions, a decrease in food sales of \$41,591 (-7.7%), and a decrease in ICMA Forfeiture revenues of \$190,869 (-100.0%). The 68.8% increase in Federal grants was due to an increase in national school lunch program funding of \$23,318 (26.1%), the receipt of the Dale Hickham Teaching grant for \$16,443 (100.0%), and an increase for the State's school lunch equipment grant in the amount of \$51,109 (100.0%) which was funded as part of the 2009 American Recovery and Reinvestment Act (ARRA).

Total expenditures decreased by \$167,460 (-1.2%) during the year, mainly attributable to a decrease in operating expenditures of approximately \$242,700 (-3.8%), and a decrease in personnel expenditures of approximately \$14,300 (-0.18%). Operating expenditures were reduced by 3.8% as a result of decrease spending on textbooks, professional and technical services, and electricity. These decreases were offset by an increase in capital expenditures of approximately \$89,500 (133.8%). In fiscal year 2009-10 the Charter High School reduced the overall position counts by 1.5 full-time, but increased it by 1 part-time.

Budgetary Highlights

For the fiscal year ended June 30, 2010, the Charter High School had estimated revenues and appropriations of \$14,610,646 and \$15,099,459, respectively. Over the course of the year, the Charter High School recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

- Amendments related to grants and new programs.
- Amendments to revise estimates for state and local revenues based on the latest information on student attendance.
- Amendments during the year for unexpected occurrences.

The Charter High School made the following significant amendments to budget: Several amendments were made to the budgeted revenues in the amount of \$229,506. Amendments were made to increase local revenues in the amount \$151,155, mainly as a result of the Governor’s A + funds of \$128,000; and to increase the Federal grants budget by \$78,351 for the Dale Hickham Teaching grant in the amount of \$16,433; the school lunch equipment grant in the amount of \$54,349, and the State’s appropriated equipment assistance grant in the amount of \$6,150. All these grants were funded through the 2009 American Recovery and Reinvestment Act (ARRA).

Amendments were made to the budgeted expenditures in the amount of \$209,229. These adjustments were due to an increase in the budget of \$143,517 for personnel costs attributable to the Governor’s A+ funds, a decrease in the budget for operating costs of \$70,492, and an increase of \$136,654 increase in capital budget for the purchase of a and to build a sidewalk canopy at Charter High School.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$271,153, and actual expenditures were below final budgeted amounts by \$946,594.

Capital Assets

The Charter High School’s investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$355,508 (net of accumulated depreciation).

<u>CAPITAL ASSETS (Net of Depreciation)</u>	
	Governmental Activities
	<u>2010</u>
Improvements other than buildings	\$ 63,059
Machinery and equipment	<u>292,449</u>
Total capital assets	<u>\$ 355,508</u>

Additional information on the Charter School’s capital assets can be found on Note 4 of the notes to the basic financial statements (page 26).

Economic Factors and Next Year's Budget and Rates

- ◆ Capital outlay funding from the State will remain the same as FY2010. The State is funding this revenue at an estimated 59% of the total maximum allocation. The Charter High School will serve 1,715 students for the 2011 school year.
- ◆ The 2010-2011 Budget has no changes in the number of positions. The budget includes step increases, but no cost-of-living adjustments or bonuses.
- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues decreased slightly from \$3,630.62 per student in FY2010 to \$3,623.76 in FY2011.
- ◆ The governing board has approved the hiring of a professional Development Director with a fundraising goal of \$1,000,000, to be shared among all the City's Charter Schools. This increased the budgeted revenues for the Charter High School by \$307,000.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Charter High School's finances, as well as demonstrate accountability for funds the Charter High School receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the City Manager, Pembroke Pines/Charter High School, 10100 Pines Boulevard, Pembroke Pines, Florida 33026.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

STATEMENT OF NET ASSETS

JUNE 30, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>
Pooled cash and investments	\$ 743,392
Due from Broward County	4,472
Due from Federal Government	7,666
ICMA forfeitures receivable	93,479
Other miscellaneous receivables	7,610
Capital assets being depreciated, net	<u>355,508</u>
Total assets	<u>1,212,127</u>
<u>LIABILITIES</u>	
Accrued liabilities	16,120
Deferred revenue	3,682
Deposits	290,901
Noncurrent liabilities:	
Due within one year	235,674
Due in more than one year	<u>71,586</u>
Total liabilities	<u>617,963</u>
<u>NET ASSETS</u>	
Invested in capital assets	355,508
Unrestricted	<u>238,656</u>
Total net assets	<u>\$ 594,164</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 6,253,546	\$ -	\$ 30,017	\$ -	\$ (6,223,529)
Instructional support services	715,823	-	6,160	-	(709,663)
School administration	1,167,139	6,018	-	-	(1,161,121)
Rent	3,033,681	-	-	-	(3,033,681)
Student transportation services	267,785	78,188	-	-	(189,597)
Operation and maintenance of school	2,509,001	1,746,258	276,457	57,259	(429,027)
Athletics	167,916	-	-	-	(167,916)
Total Charter School	<u>\$ 14,114,891</u>	<u>\$ 1,830,464</u>	<u>\$ 312,634</u>	<u>\$ 57,259</u>	<u>(11,914,534)</u>
General revenues:					
					10,733,205
					20,318
					<u>1,385,613</u>
					12,139,136
					224,602
					<u>369,562</u>
					<u>\$ 594,164</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2010

ASSETS

Pooled cash and investments	\$ 743,392
Due from Broward County	4,472
Due from Federal Government	7,666
ICMA forfeitures receivable	93,479
Other miscellaneous receivables	<u>7,610</u>
Total assets	<u><u>\$ 856,619</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 16,120
Deferred revenue	3,682
Deposits	<u>290,901</u>
Total liabilities	<u>310,703</u>
Fund balance:	
Unreserved:	
Designated for rent payments	410,744
Designated for capital replacements	<u>135,172</u>
Total fund balance	545,916

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 355,508

Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (307,260)

Net assets of governmental activities (page 12) \$ 594,164

See notes to basic financial statements.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

FISCAL YEAR ENDED JUNE 30, 2010

Revenues:	
Local	\$ 14,084,832
Federal grants	<u>254,661</u>
Total revenues	<u>14,339,493</u>
Expenditures:	
Current:	
9-12 Basic	5,800,604
Exceptional student program	158,448
Vocational 6-12	222,042
Substitute teachers	57,727
School/other	14,725
Guidance services	531,533
Instructional media services	107,977
ESE specialist	73,231
Instructional staff training service	3,082
School administration	1,125,874
Facilities acquisition and construction	3,033,681
Student transportation services	267,785
Operation of school	2,431,826
Athletics	167,916
Capital outlay	<u>156,414</u>
Total expenditures	<u>14,152,865</u>
Net change in fund balances	186,628
Fund balances, beginning	<u>359,288</u>
Fund balances, ending	<u>\$ 545,916</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund (Page 14) \$ 186,628

Governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The detail of the difference is as follows:

Capital outlay	\$ 156,414	
Depreciation expense	<u>(77,175)</u>	
Net adjustment		79,239

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Compensated absences		<u>(41,265)</u>
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Change in net assets of governmental activities (page 12) \$ 224,602

See notes to basic financial statements.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter High School, consisting of one campus. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating a Charter High School organized pursuant to Section 228.056 of the Florida Statutes. The City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Charter High School is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter High School.

The Charter High School operates under a charter of the sponsoring school district, the Broward County School Board (the District). The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. The charter may be renewed in increments of five (5) years by mutual written agreement between the Charter High School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the Charter High School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 228.056(10)(e), Florida Statutes, the contract provides that in the event the Charter High School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County School Board. During the term of the charter, the District may also terminate the charter if good cause is shown. The Charter High School is accounted for as a special revenue fund of the City.

In addition to the Charter High School, the City operates three Charter Elementary Schools, and two Charter Middle Schools, under separate charters of the sponsoring school district, the Broward County School Board. The City also operates a Charter Elementary School separately chartered with the Florida State University.

As required by the Florida Auditor General, the Charter Elementary, Charter Middle, Charter High, and the FSU Charter Elementary Schools must now issue separate stand-alone financial reports. Therefore, this report only contains the financial information for the Charter High School.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-Wide and Fund Financial Statements

The Charter High School's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Charter High School. Full-time equivalent (FTE) dollars and intergovernmental revenues support *governmental activities*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. FTE dollars and other items not properly included among program revenues are reported instead as *general revenues*.

The Charter High School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Charter High School's government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Charter High School's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the Charter High School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

FTE dollars, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Charter High School receives cash.

The Charter High School reports the following major fund:

Charter High School – The Charter High School consists of one campus, serving 1,715 student stations for the 2010-11 school year.

Amounts reported as *program revenues* include: 1) charges to Charter High School for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all FTE dollars.

When both restricted and unrestricted resources are available for use, it is the Charter High School's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets

1. Pooled Cash and Investments

The Charter High School considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Charter High School maintains their cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and investments include investment in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets (continued)

2. Receivables

All receivables are considered to be collectible. No allowance for uncollectibles is recorded.

3. Capital Assets

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Charter High School as assets with an initial, individual cost of more than \$1,000, except for computer equipment with an individual cost of more than \$750, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the Charter High School are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-50
Machinery and equipment	3-10

During the fiscal year ended June 30, 2000, the Charter Schools were awarded approximately \$6.0 million, in total for all Schools, from the District's School Infrastructure Thrift Program (SIT Funds) to be used for any lawful capital outlay expenditure.

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Broward County School Board upon the non-renewal or termination of the charter agreement.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets (continued)

4. *Compensated Absences*

The Charter High School's regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation.

Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The City's Charter High School has recorded the amount of accrued sick and vacation benefits as of June 30, 2010.

5. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Long-term debt, which is reported in the City's financial statements, is not included in the Charter High School's financial statements, and is described below:

On December 1, 2006, the City issued \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006 to refund \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998 and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001. Approximately \$5,000,000 of the Public Improvement Revenue Bonds, Series 1998 original principal amount was used to fund the Charter High School project.

On December 1, 2006, the City issued \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006, of which a portion was used to refund \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999. Approximately \$26,200,000 of the Capital Improvement Revenue Bonds, Series 1999 original principal amount was used to finance the acquisition of land, furniture & equipment, and construction of the Charter High School.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets (continued)

Long-Term Obligations (continued)

On March 25, 2008, the City issued \$64,095,000 Charter School Revenue Bonds, Series 2008, of which a part was used to refund \$29,405,000 of the Charter School Revenue Bonds, Series 2001A and \$17,715,000 of the Charter School Revenue Bonds, Series 2001B. Approximately \$15,500,000 of the Charter School Revenue Bonds, Series 2001B original principal amount was used to finance the Charter High School project

The Charter High School remits a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 6 – Operating Leases).

6. Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Charter High School had no restricted assets as of June 30, 2010.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. **Assets, Liabilities and Net Assets** (continued)

7. Revenue Sources

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Charter High School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Charter High School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Charter High School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the Charter High School during the designated full-time equivalent student survey periods.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

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**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2. INVESTMENTS

The Charter High School invests in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities. The Florida Municipal Investment Trust (FMIvT) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor.

The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The Florida Municipal Investment Trust (FMIvT) is not a registrant with the Securities and Exchange Commission (SEC); however, the funds have adopted operating procedures consistent with the requirements for a 2a-7 Fund. The Charter High School invests operating funds in the 1-3 Year High Quality Bond Fund.

The Charter High School's pooled cash and investments are summarized as follows:

	<u>Carrying Amount</u>
Cash on hand	\$ 500
<u>Investments:</u>	
FMIvT 1-3 Year High Quality Bond Fund	<u>742,892</u>
Total pooled cash and investments	<u>\$ 743,392</u>

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair market value of an investment. The School limits its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio. The Operating Investment Policy states that the average effective duration of the portfolio as a whole may not exceed five (5) years, and that no more than 30% of the total investment in debt securities shall be placed in securities with an expected duration of more than five (5) years. Information about the sensitivity of the fair values of the School's investments to market interest rate fluctuations is provided below.

	<u>Duration</u>	<u>Weighted Average Maturity</u>
<u>Interest Rate Risk Information in Years</u>		
FMIvT 1-3 Year High Quality Bond Fund	1.40	1.44

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2. INVESTMENTS (continued)

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Charter High School utilizes portfolio diversification and credit quality rating in order to control this risk. The Florida Municipal Investment Trust (FMIVT) 1-3 Year High Quality Bond Fund is rated AAA/V2 by Fitch.

Concentration of Credit Risk: Concentration risk exists when investments are concentrated in one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investment are excluded from the concentration of credit risk disclosure requirements.

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**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3. REVENUE SOURCES

Broward County School Board:	
Florida education finance program	\$ 7,178,740
Class size reduction	1,596,919
Public education capital outlay (PECO)	1,241,438
District school taxes	730,980
Transportation revenue	375,587
Supplemental academic instruction	346,499
ESE guaranteed allocation	159,599
Governor's A+ funds	127,583
Instructional materials	139,106
Safe schools program	39,423
Summer reading program	24,139
Library media materials	7,612
Discretionary lottery funds	4,937
Science lab materials	<u>2,081</u>
Total Broward County School Board	<u>11,974,643</u>
Other:	
Rental revenue	1,385,613
Food sales	501,479
Contributions	115,232
In-house transportation	78,188
Interest	20,318
Other miscellaneous revenue	6,018
School lunch supplement	2,169
School breakfast supplement	<u>1,172</u>
Total other	<u>2,110,189</u>
Total local	<u>\$ 14,084,832</u>
Federal grants:	
National school lunch program	\$ 112,790
School lunch equipment - ARRA	51,109
NSLP non-cash assistance (commodities)	38,021
Individuals with disabilities education act (IDEA)	19,734
Dale Hickham Teaching - ARRA	16,443
School breakfast program	10,414
Appropriated equipment assistance - ARRA	<u>6,150</u>
Total Federal grants	<u>\$ 254,661</u>

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ -	\$ 66,965	\$ -	\$ 66,965
Machinery and equipment	<u>627,982</u>	<u>89,449</u>	<u>-</u>	<u>717,431</u>
Total capital assets being depreciated	<u>627,982</u>	<u>156,414</u>	<u>-</u>	<u>784,396</u>
Less accumulated depreciation for:				
Improvements other than buildings	-	(3,906)	-	(3,906)
Machinery and equipment	<u>(351,713)</u>	<u>(73,269)</u>	<u>-</u>	<u>(424,982)</u>
Total accumulated depreciation	<u>(351,713)</u>	<u>(77,175)</u>	<u>-</u>	<u>(428,888)</u>
Total capital assets being depreciated, net	<u>\$ 276,269</u>	<u>\$ 79,239</u>	<u>\$ -</u>	<u>\$ 355,508</u>

Depreciation expense was charged to functions/programs of the Charter High School as follows:

Governmental activities:

Operation of school	<u>\$ 77,175</u>
---------------------	------------------

NOTE 5. RECEIVABLES

<u>Receivables</u>	<u>Charter High School</u>
Due from Broward County	\$ 4,472
Due from Federal Government	7,666
ICMA forfeiture receivable	93,479
Other miscellaneous receivables	<u>7,610</u>
Total receivables	<u>\$ 113,227</u>

All receivables are expected to be collected in one year.

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6. OPERATING LEASES

Schools' Facility Lease

The Charter High School lease their campuses from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Charter High School (see Note 1.d.5). For the fiscal year ended June 30, 2010, rent expense was approximately \$3,034,000 for the Charter High School.

The approximate combined minimum future rentals to be paid to the City are as follows:

Fiscal year ending June 30:	
2011	\$ 3,064,000
2012	3,066,000
2013	2,994,000
2014	3,108,000
2015	3,143,000
2016-2020	15,746,000
2021-2025	15,752,000
2026-2030	11,136,000
2031-2035	8,779,000
2036-2038	<u>5,218,000</u>
Total approximate minimum future rentals	<u>\$ 72,006,000</u>

NOTE 7. CHANGES IN LONG-TERM LIABILITIES

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One Year
Compensated absences	<u>\$ 265,995</u>	<u>\$ 216,707</u>	<u>\$(175,442)</u>	<u>\$ 307,260</u>	<u>\$ 71,586</u>

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8. RISK MANAGEMENT

Health and hospitalization, workers' compensation and life insurance coverage is provided through the City of Pembroke Pines, and the City, in turn, charges the Charter High School for this coverage. The Charter High School maintains their own insurance for general liability, automotive liability, School Board liability, basic and catastrophic student accident, and property and flood coverage's through purchased commercial insurance with minimum deductibles for each line of coverage.

There were no reductions in insurance coverage from the coverage provided in the prior year. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

NOTE 9. CONTINGENCY

Amounts received or receivable from grantor agencies are subject to future audit and compliance testing, which may result in adjustments by Federal or State grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of such expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Charter High School expects such amounts, if any, to be immaterial.

NOTE 10. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

On August 16, 2006, the City Commission passed Resolution number 3105 which mandated that all Charter High School's full-time employees hired after August 7, 2006 and all part-time employees regardless of the date of hire will join the Florida Retirement System (FRS) Pension Plan. Individuals who were currently members of the ICMA-RC Defined Contribution Plan were given a one-time irrevocable election whether or not to participate in the FRS Pension Plan. The Charter High School's employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS). The FRS is noncontributory, and is totally administered by the State of Florida.

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Florida Retirement System (continued)

Plan Description

Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the highest five (5) fiscal years of earnings. The FRS provides vesting of benefits after six (6) years of creditable service. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date. The FRS also provides death and disability benefits. A State statute establishes the benefit. Normal retirement requirements are vesting and age 62, or 30 years of creditable service regardless of age. FRS issues an annual financial report. A copy can be obtained by sending a written request to:

Division of Retirement
P.O. Box 9000
Tallahassee, FL. 32315-9000

Funding Policy

The Charter High School's required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2010, the contribution rate was 9.85% of covered payroll which amounted to \$497,605. As of June 30, 2010, there were 104 Charter High School members in this Plan. The Charter High School is required to contribute both for full-time and part-time members of the Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

Defined Contribution Plan

Effective July 1, 2000, the City established a Defined Contribution Plan for employees of the Charter High School and Early Development Centers (the Charter Schools' Plan) created in accordance with Internal Revenue Service Code 401(a) and Ordinance 1345 and amended by Ordinance 1401 dated April 3, 2002. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his or her new employer's pension plan providing said plan permits rollovers.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10. PENSION PLANS (continued)

Defined Contribution Plan (continued)

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the International City/County Management Association - Retirement Corporation (ICMA-RC). At June 30, 2010, there were 13 Charter High School Plan members, which was unchanged from the previous fiscal year. Effective January 1, 2002, the Charter High School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter High School's required contribution increased to 9.85% from 5% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2010, the Charter High School contributed \$59,036 and the employees contributed 8,409 to the Plan. Provisions of the Charter High School's Plan may be amended by the City Commission. The Charter High School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter High School's Plan are not included in the Charter High School's financial statements.

In FY2009 the Charter High School recorded a revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Charter High School will utilize these forfeitures to offset future employer contributions to the Plan.

NOTE 11. OTHER INFORMATION

In November 2007, the City of Pembroke Pines' Charter School System filed a lawsuit against the School Board of Broward County (the District) in order to recoup its share of the District's "2 Mill" money that it collects from taxpayers for new construction and remodeling projects. The Charter Schools have calculated that the amount of "2 Mill" money that was withheld by the District since 1998 is approximately \$34.9 million for all the City Charter Schools combined. However, in July 2010, the Circuit Court of Broward County denied the Charter Schools' claim to the "2 Mill" funds.

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local	\$ 14,230,403	\$ 14,381,558	\$ 14,084,832	\$ (296,726)
Federal grants	<u>150,737</u>	<u>229,088</u>	<u>254,661</u>	<u>25,573</u>
Total revenues	<u>14,381,140</u>	<u>14,610,646</u>	<u>14,339,493</u>	<u>(271,153)</u>
Expenditures:				
Current:				
9-12 Basic	6,102,013	6,191,521	5,800,604	390,917
Intensive English/ESOL	794	794	-	794
Exceptional student program	161,598	173,042	158,448	14,594
Vocational 6-12	254,555	257,505	222,042	35,463
Substitute teachers	58,750	58,750	57,727	1,023
School/other	23,502	23,502	14,725	8,777
Guidance services	558,213	566,248	531,533	34,715
Instructional media services	107,849	109,959	107,977	1,982
ESE specialist	67,927	74,606	73,231	1,375
Instructional staff training service	36,882	36,882	3,082	33,800
School administration	1,182,354	1,197,075	1,125,874	71,201
Facilities acquisition and construction	3,063,767	3,063,767	3,033,681	30,086
Student transportation services	292,474	292,474	267,785	24,689
Operation of school	2,723,875	2,657,861	2,431,826	226,035
Athletics	190,377	193,519	167,916	25,603
Capital outlay	<u>65,300</u>	<u>201,954</u>	<u>156,414</u>	<u>45,540</u>
Total expenditures	<u>14,890,230</u>	<u>15,099,459</u>	<u>14,152,865</u>	<u>946,594</u>
Net change in fund balance	(509,090)	(488,813)	186,628	675,441
Fund balance, beginning	<u>359,288</u>	<u>359,288</u>	<u>359,288</u>	<u>-</u>
Fund balance, ending	<u>\$ (149,802)</u>	<u>\$ (129,525)</u>	<u>\$ 545,916</u>	<u>\$ 675,441</u>

CITY OF PEMBROKE PINES, FLORIDA
CHARTER HIGH SCHOOL

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. BUDGET AND BUDGETARY ACCOUNTING

1. The annual budget is legally adopted for the Charter High School's fund which is a governmental fund. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, except for encumbrances, which are purchase orders and contracts issued for goods and services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are re-appropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

2. The Charter High School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee, and the Principal approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget for the Charter High School includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of approximately \$209,000 during the fiscal year ended June 30, 2010.